

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT  
PRICE ADJUSTMENT

Docket No. R2013-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 2  
(October 26, 2012)

The Postal Service hereby files its responses to questions 1 and 2 of Chairman's Information Request No. 2, issued on October 24, 2012. Each question is stated verbatim, and followed by the Postal Service's response.

Respectfully submitted,  
UNITED STATES POSTAL SERVICE

By its attorneys:

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October 26, 2012

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1. Please refer to USPS-LR-R2013-1/2, excel file: CAPCALC-STD-R2013.xls tab: Price Changes Summary.
  - a. Confirm that the ratio of Commercial and Nonprofit Average Revenue Per Piece does not include any of the revenue forgone from the Mail to Mobile Promotions or the Earned Value Reply Mail Promotion. If not confirmed, please explain.
  - b. If part a is confirmed, explain the rationale for excluding these revenue adjustments from the ratio.
  - c. If part a is confirmed, provide an updated ratio of Commercial and Nonprofit Average Revenue Per Piece that includes the revenue forgone from the Mail to Mobile Promotions and the Earned Value Reply Mail Promotion.

**RESPONSE:**

- a. Not confirmed. The ratio of Commercial and Nonprofit Average Revenue Per Piece in *CAPCALC-STD-R2013.xls* includes revenue foregone from the Mail to Mobile and Earned Value Reply Mail promotions. The revenue foregone for all products was included based on the following steps:

Mail to Mobile Promotions:

- o First, in *Mail to Mobile Promotions-STD-R2013.xls*, the Postal Service calculated the Commercial and Nonprofit revenue for all products (Letters, Flats, Parcels, High Density/Saturation Letters, High Density/Saturation Flats and Parcels, and Carrier Route) during promotional periods. Tabs "Promotional Comm Revenue LFP", "Promotional NP Revenue LPF", "Promotional Rev. Comm HD SAT CR", and "Promotional Rev. NP HD SAT CR" calculate this revenue by multiplying the promotional volumes by the promotional prices. The promotional volumes for both Commercial and Nonprofit are calculated

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by distributing actual 2011 mobile barcode promotional data from July 1, 2011 through August 31, 2011 over the hybrid year volume. The actual historical data can be found in tab "Promotions Data".

- Second, in *Mail to Mobile Promotions-STD-R2013.xls*, the Postal Service calculated the Commercial and Nonprofit revenue for all products (Letters, Flats, Parcels, High Density/Saturation Letters, High Density/Saturation Flats and Parcels, and Carrier Route) during non-promotional periods. Tabs "Prom Comm Revenue LFP R2013", "Prom NP Revenue LFP R2013", "Prom Rev. Comm HD SA R2013", and "Prom Rev. NP HD SAT R2013" calculate this revenue by multiplying the promotional volume by the proposed non-promotional prices.
- Third, in *Mail to Mobile Promotions-STD-R2013.xls*, the Postal Service calculated total revenue forgone by subtracting the promotional revenue (calculated in the first step) from non-promotional revenue (calculated in the second step). Tabs "Revenue Forgone Comm LFP", "Revenue Forgone NP LFP", "Revenue Forgone Comm HD SAT CR", and "Revenue Forgone NP HD SAT CR" show these calculations. The total revenue forgone for both Commercial and Nonprofit Letters and Flats can be found in cell E73 of tab "Revenue Forgone Comm LFP". The total revenue forgone for Commercial and Nonprofit High Density, Saturation, and Carrier Route can be found in cell G39 of tab "Revenue Forgone Comm HD SAT CR".
- Fourth, after the total revenue forgone is calculated for both Commercial and Nonprofit, the prices for all products (Letters, Flats, Parcels, High Density/Saturation Letters, High Density/Saturation Flats and Parcels, and Carrier Route) are stated to reflect the forgone revenue. The total revenue forgone is included in the *CAPCALC-STD-*

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*R2013.xls* file in cell D145 in tab "LFP Revenue@New Prices" and cell E117 in tab "HD-SAT-CR Revenue@New Prices".

Earned Value Reply Mail Promotion:

- First, the Postal Service calculated the revenue forgone for the Earned Value Reply Promotion by multiplying actual Q3 2012 IMB<sup>1</sup> volume with the discount amount of \$0.02. This calculation is shown in cell D146 in tab "LFP Revenue@New Prices" of file *CAPCALC-STD-R2013.xls*.
- Second, after the total revenue forgone is calculated, the prices for Commercial and Nonprofit Letters, Flats, Parcels, High Density/Saturation Letters, High Density/Saturation Flats and Parcels, and Carrier Route are stated to reflect the forgone revenue.

b. Not applicable.

c. Not applicable.

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<sup>1</sup> Source: *Derivation of Volumes for Earned Value Reply Promotion.xls*; USPS-LR-R2013-1/6

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2. Please refer to USPS-LR-R2013-1/2, Excel file: CAPCALC-STD-R2013.xls, tabs: LFP Revenue@New Prices and HD-Sat-CR Revenue@New Prices.
- a. Confirm that percentage change in price by product does not include any of the revenue forgone from the Mail to Mobile Promotions or the Earned Value Reply Mail Promotion. If not confirmed, please explain.
  - b. If part a is confirmed, please recalculate the percentage change in price for each Standard Mail product, taking into account revenue forgone from the Mail to Mobile Promotions and the Earned Value Reply Mail Promotion.
  - c. If part a is confirmed, please confirm that the inclusion of the revenue forgone from the Mail to Mobile Promotions and the Earned Value Reply Mail Promotion results in Standard Mail Flats receiving a below average price increase.

**RESPONSE:**

- a. Not confirmed. The percentage change in price by product includes the revenue forgone from both the Mail to Mobile and Earned Value Reply Mail promotions. The Postal Service included the revenue foregone using the same steps described in response to Question 1(a) of this information request.
- b. Not applicable.
- c. Not applicable.